

**REPORT OF THE AUDIT OF THE
BULLITT COUNTY
CLERK**

**For The Year Ended
December 31, 2004**



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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BULLITT COUNTY CLERK

**For The Year Ended
December 31, 2004**

The Auditor of Public Accounts was engaged to audit the Bullitt County Clerk's statement of revenues, expenditures, and excess fees for the year ended December 31, 2004. Based upon the work performed, we were unable to express an opinion on the financial statement.

Debt Obligations:

Total lease principal as of December 31, 2004, was \$1,017,600. Future collections of \$1,017,600 are needed over the next 8 years to pay all debt principal and interest.

Report Comments:

- The County Clerk Had Disallowed Expenditures
- The County Clerk Should Keep Complete And Accurate Records Of The Financial Activity Of The Clerk's Office
- Withholding Taxes, Other Employee Withholdings, and Employer Matching Taxes Have Not Been Paid
- Legal Process Tax Not Paid And/Or Not Paid On Time
- Delinquent Property Taxes Not Paid Monthly To All Districts
- The County Clerk Should Settle Excess Fees With Fiscal Court By March 15
- Invoices For Operating Expenditures Were Paid Late
- The County Clerk's Office Lacks Adequate Segregation Of Duties
- The County Clerk Should Eliminate The Deficit Of \$3,206

Deposits:

The Clerk's deposits were under-collateralized by \$12,156 on December 31, 2004.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT.....	1
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS	3
NOTES TO FINANCIAL STATEMENT	7
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS - REGULATORY BASIS	10
COMMENTS AND RECOMMENDATIONS.....	12
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	19



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Kenneth Rigdon, Bullitt County Judge/Executive
Honorable Nora McCawley, Bullitt County Clerk
Members of the Bullitt County Fiscal Court

Independent Auditor's Report

We were engaged to audit the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Bullitt County, Kentucky, for the year ended December 31, 2004. This financial statement is the responsibility of the County Clerk.

During our engagement we noted the County Clerk had serious weaknesses in her financial reporting function. The County Clerk did not maintain an accurate receipts ledger or a disbursements ledger needed to prepare financial statements. In addition, the County Clerk has serious weaknesses in the design and operation of her internal controls due to the County Clerk not monitoring daily activity or reviewing work completed by her employees. Furthermore, there are high fraud risk factors associated with the engagement.

Because of serious weaknesses in the financial reporting function and the design and operation of internal controls due to the County Clerk not monitoring the activity of her office and because audit risk is at an unacceptable level, the scope of our work was not sufficient to enable us to express, and we do not express an opinion on the financial statement referred to in the first paragraph.

In accordance with Government Auditing Standards, we have also issued our report dated July 12, 2005, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Kenneth Rigdon, Bullitt County Judge/Executive
Honorable Nora McCawley, Bullitt County Clerk
Members of the Bullitt County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The County Clerk Had Disallowed Expenditures
- The County Clerk Should Keep Complete And Accurate Records Of The Financial Activity Of The Clerk's Office
- Withholding Taxes, Other Employee Withholdings, and Employer Matching Taxes Have Not Been Paid
- Legal Process Tax Not Paid And/Or Not Paid On Time
- Delinquent Property Taxes Not Paid Monthly To All Districts
- The County Clerk Should Settle Excess Fees With Fiscal Court By March 15
- Invoices For Operating Expenditures Were Paid Late
- The County Clerk's Office Lacks Adequate Segregation Of Duties
- The County Clerk Should Eliminate The Deficit Of \$3,206

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Bullitt County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, cursive script.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
July 12, 2005

BULLITT COUNTY
NORA MCCAWLEY, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2004

Revenues

State Fees For Services	\$	22,113
Fiscal Court		865

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	1,703,569
Usage Tax		5,507,429
Tangible Personal Property Tax		4,919,190

Other-

Marriage Licenses		13,869
Beer and Liquor Licenses		2,635
Deed Transfer Tax		371,511
Delinquent Tax		683,318
		13,201,521

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$	52,992
Real Estate Mortgages		207,013
Fixture Filings		861
Powers of Attorney		5,074
Deed of Release		63,209
Deed of Assignment		11,046
Title Lien Statements		168,439
Bail Bonds		2,037
Doing Business As		846
Plat Fees		900
Marginal Release		129
Affidavit of Descent		318
Encumbrances		9,026
Articles of Inc.		2,077
Wills		1,152
Notary		4,264
Lien Fees		22,731

Charges for Other Services-

Candidate Filing Fees		2,450
Copywork		15,821
		570,385

The accompanying notes are an integral part of this financial statement.

BULLITT COUNTY
 NORA MCCAWLEY, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2004
 (Continued)

Revenues (Continued)

Other:

Miscellaneous	\$	2,242	
Court Orders		24	
Variance		1,714	
Postage		18,431	
UPS		4	
Reimbursements		354	
Refunds from State		969	
Bad Checks Collected		2,980	
Bad Check Fees		2,375	
Overpayment to Fiscal Court & Taxing District		30,632	\$ 59,725

Interest Earned			14,433
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Total Revenues			\$ 13,869,042
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Expenditures

Payments to State:

Motor Vehicle-			
Licenses and Transfers	\$	1,284,688	
Usage Tax		5,326,430	
Tangible Personal Property Tax		1,822,845	
Licenses, Taxes, and Fees-			
Delinquent Tax		87,478	
Legal Process Tax		61,744	\$ 8,583,185

Payments to Fiscal Court:

Tangible Personal Property Tax	519,198	
Delinquent Tax	64,954	
Deed Transfer Tax	352,936	
Beer and Liquor Licenses	2,423	939,511

Payments to Other Districts:

Tangible Personal Property Tax	2,383,917	
Delinquent Tax	364,945	2,748,862

The accompanying notes are an integral part of this financial statement.

BULLITT COUNTY
 NORA MCCAWLEY, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2004
 (Continued)

Expenditures (Continued)

Payments to Sheriff	\$	5,724	
Payments to County Attorney		102,460	
Operating Expenditures:			
Personnel Services-			
Deputies' Salaries	\$	538,581	
Employee Benefits-			
Employer's Share Social Security		44,189	
Employer's Share Retirement		48,796	
Employer's Paid Health Insurance		49,016	
Other Payroll Expenditures		25	
Contracted Services-			
Computer Update/Lease		192,560	
Tax Bill Printing		12,375	
Contract Labor		1,000	
Voting Machine Storage		6,390	
Materials and Supplies-			
Office Supplies		55,706	
Election Supplies		17,030	
Other Charges-			
Conventions and Travel		200	
Bank Service Charges		204	
Dues		962	
Postage		16,582	
Bad Checks		5,836	
Insurance & Bond		1,010	
Miscellaneous		886	
Phone		2,457	
Professional Fees		240	
Refunds (miscellaneous)		781	
Refunds:			
License Fees		1,365	
Usage Tax		15,867	
UPS		1,000	
Auto Expenses-			
Mileage		96	1,013,154

The accompanying notes are an integral part of this financial statement.

BULLITT COUNTY
 NORA MCCAWLEY, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2004
 (Continued)

Total Expenditures		\$ 13,392,896
Less: Disallowed Expenditures		
Credit Card Finance Charges	\$ 98	
Past Due Fees	105	
Payment Protection Plan	111	
Unidentified	<u>2,892</u>	
Total Disallowed Expenditures		<u>3,206</u>
Total Allowable Expenditures		<u>\$ 13,389,690</u>
Net Revenues		\$ 479,352
Less: Statutory Maximum		<u>83,082</u>
Excess Fees		\$ 396,270
Less: Expense Allowance		<u>3,600</u>
Excess Fees Due County for 2004		\$ 392,670
Payments to Fiscal Court - December 13, 2004	\$ 30,633	
June 6, 2005	<u>306,369</u>	<u>337,002</u>
Balance Due Fiscal Court at Completion of Audit		<u>\$ 55,668</u>

The accompanying notes are an integral part of this financial statement.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31, that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2004 services
- Reimbursements for 2004 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2004

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2004
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent for the first six months and 8.48 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The County Clerk entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of December 31, 2004, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$12,156 of public funds uninsured and unsecured.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2004
(Continued)

Note 3. Deposits (Continued)

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official at year-end.

	<u>Bank Balance</u>
FDIC insured	\$ 200,000
Collateralized with securities held by the county official's agent in the county official's name	1,376,789
Uncollateralized and uninsured	<u>12,156</u>
Total	<u><u>\$ 1,588,945</u></u>

Note 4. Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives. There was an unexpended grant balance of \$381 at the beginning of the calendar year. The account earned interest of \$2 during calendar year 2004. The unexpended grant balance was \$383 as of December 31, 2004.

Note 5. Escrow Account

The County Clerk has an account used for mechanic and material lien bonds. The account had one bond of \$3,900. The account earned interest of \$39 during calendar year 2004. The balance in the account was \$4,275 as of December 31, 2004.

Note 6. Leases

The County Clerk's office was committed to the following lease agreements as of December 31, 2004:

Item Purchased	Monthly Payment	Term Of Agreement	Ending Date	Principal Balance December 31, 2004
Computer :				
Software	\$ 10,000	120 Months	1/1/2013	\$ 960,000
Hardware	3,000	36 Months	2/1/2006	39,000
Hardware	600	36 Months	8/1/2007	18,600

BULLITT COUNTY
NORA MCCAWLEY, COUNTY CLERK
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS - REGULATORY BASIS

December 31, 2004

Assets

Cash in Bank		\$	1,383,927
Deposits in Transit			112,137
Receivables:			
Delinquent Tax Due from 2003 Fee Account	\$	2,723	
Over Payments to Fiscal Court (credited as excess fees)		<u>30,633</u>	<u>33,356</u>
Total Assets			<u>1,529,420</u>

Liabilities

Paid Obligations-

Fee Account:

 Outstanding Checks

	\$	15,486
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 Outstanding Liabilities:

Legal Process Tax	\$	4,403	
Delinquent Tax		79,018	
NSF Checks		5,837	
Web Renewals		3,627	
Deed Tax		35,120	
2004 Excees Fees		<u>306,369</u>	434,374

Auto Account

 Outstanding Checks

		56,538
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 Outstanding Liabilities:

License Fees	\$	23,679	
Tangible Personal Property Tax		355,795	
NSF Checks		226	
Bank Service Charge		<u>16</u>	<u>379,716</u>

Total Paid Obligations			886,114
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BULLITT COUNTY
 NORA MCCAWLEY, COUNTY CLERK
 SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS - REGULATORY BASIS
 December 31, 2004
 (Continued)

Unpaid Obligations-

Fee Account:

Outstanding Checks*	\$	91,141
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Outstanding Liabilities:

Employee Withholdings

State of Kentucky-Tax	\$	27,969
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Insurance		3,860
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City of Shepherdsville		3,914
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Internal Revenue Service		113,317
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Employer Matching

Internal Revenue Service		44,189
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Legal Process Tax		32,065
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Delinquent Tax		274,389
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2004 Exceeds Fees	55,668	555,371
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Total Unpaid Obligations	\$	646,512
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Total Liabilities	\$	1,532,626
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Total Fund Deficit as of December 31, 2004	\$	(3,206)
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* These checks were written, but were not delivered

BULLITT COUNTY
NORA MCCAWLEY, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2004

STATE LAWS AND REGULATIONS:

1) The County Clerk Had Disallowed Expenditures

Our audit disclosed the following expenditures which are not allowable: credit card finance charges of \$98, past due fees of \$105, payment protection fees of \$111, and unidentified charges of \$2,892. Technical Audit Bulletin 93-001 states, "Regarding county fee officials and property valuation administrators, any of the following practices shall be subject to report as an audit comment relating to Ky Const. §173; KRS 61.190 and 132.601(1); and Fund v. Milliken, 317 S.W.2d 499 (KY 1958) . . . (6) Penalties for late payments; (7) Interest incurred when personal credit card is used by employee for official expenses; (13) Expenditures without proper and accurate documentation." We recommend the County Clerk use the credit card for official business only and maintain supporting documentation for all expenditures, avoid paying late fees, finance charges, and payment protection fees.

County Clerk's Response: A copy of check is attached. Deposit made to fee account same day as check was issued.

2) Withholding Taxes, Other Employee Withholdings, And Employer Matching Taxes Have Not Been Paid

The County Clerk did not remit amounts to the Internal Revenue Service (IRS) for Federal Tax, Medicare, and Social Security and to the state of Kentucky for taxes withheld from employee paychecks. Employer matching for Medicare and Social Security also were not paid to the IRS. In addition, some employee withholdings for life insurance and local tax were not paid to their respective payees. Also, according to the City of Shepherdsville (local taxes) copies of employee W-2's for 2004 were not received. We recommend the Clerk pay all withholdings and matching to their proper payees for 2004 and in the future in accordance with KRS 141.310(1). We also recommend that copies of W-2's be given to their proper jurisdictions and that Federal Quarterly Payroll Reports (941's) and Kentucky Quarterly Payroll Reports be filed and copies be maintained in the Clerk's office. We also recommend the Clerk pay any penalties caused by late and non-payments out of personal funds. The following are the withholdings and employer matching taxes that are due:

BULLITT COUNTY
 NORA MCCAULEY, COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2004
 (Continued)

STATE LAWS AND REGULATIONS: (Continued)

2) Withholding Taxes, Other Employee Withholdings, And Employer Matching Taxes Have Not Been Paid (Continued)

<u>Payee</u>	<u>Amount</u>	<u>Reason</u>
AFLAC	\$ 2,920	Employee Withholding
City of Shepherdsville	3,914	Employee Withholding
Life Investors/Aegon	940	Employee Withholding
State of Kentucky	27,969	Employee Withholding
Internal Revenue Service	69,128	Federal Tax Withheld
Internal Revenue Service	8,578	Medicare Withheld
Internal Revenue Service	35,611	Social Security Withheld
Total Withholdings Owed	<u>\$ 149,060</u>	
Internal Revenue Service	\$ 8,578	Employer Matching-Medicare
Internal Revenue Service	<u>35,611</u>	Employer Matching-Social Security
Total Employer Portion Owed	<u>\$ 44,189</u>	
Total Withholdings and Matching Owed	<u><u>\$ 193,249</u></u>	

County Clerk's Response: Most of the above have been paid.

3) Legal Process Tax Not Paid And/Or Not Paid On Time

Legal process fees were not paid within thirty days on 10 of 12 months as required by KRS 142.010(3). At the report date, the County Clerk still owed the state legal process fees for June through November 2004. We recommend the clerk pay the state the fees owed in the amount of \$32,065. We also recommend the Clerk comply with KRS 142.010(3) and file monthly reports with the state by the 10th of the following month. We also recommend the Clerk pay any penalties caused by late and non-payments out of personal funds.

County Clerk's Response: Yes, Clerk will pay penalties and/or interest out of personal funds.

BULLITT COUNTY
 NORA MCCAWLEY, COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2004
 (Continued)

STATE LAWS AND REGULATIONS: (Continued)

4) Delinquent Property Taxes Not Paid Monthly To All Districts

The County Clerk failed to pay the State, Fiscal Court, Board of Education (School), and most other districts' delinquent taxes in a timely manner as required by KRS 134.480(2). KRS 134.480(2) requires the Clerk to file a report and pay all monies collected by her due the state, the county, and each taxing district not less than once every 30 days. The State was not paid delinquent taxes for 2004 until February 2005. The Fiscal Court was not paid most months' taxes until December 2004. The School was not paid taxes during the year except for the month of December 2004. This amount was paid at the end of January 2005, with the Clerk still owing the remaining month's taxes. Among the other districts, some were paid (late) and some are still owed monies. Also, some checks written to districts were never received by the district. We recommend the Clerk pay money due various districts and in the future comply with KRS 134.480(2). The following is a list of delinquent taxes due:

Bullitt Co. Board of Education	\$	267,606
Extension		4,899
Fiscal Court		131
Health Department		13,825
Library		184
Mt. Washington Fire District		9,786
Nichols Fire District		7,672
Plum Creek Fire District		18
South East Fire District		6,701
Zoneton Fire District		15,003
State of Kentucky		192
Total Delinquent Tax Owed	\$	<u>326,017</u>

County Clerk's Response: Most of the aforementioned has been paid, rest are in the process of being paid.

5) The County Clerk Should Settle Excess Fees With Fiscal Court By March 15

Excess fees for 2004 were partially paid to the County Treasurer on December 13, 2004 and June 6, 2005. KRS 64.152 requires the County Clerk in counties of less than 70,000 to provide fiscal court with a statement of receipts and expenditures of the preceding calendar year, and to settle excess fees with fiscal court by March 15, each year. We recommend the remainder of 2004 excess fees be paid to the County Treasurer and future financial statements and excess fee payments be made as required by statute.

County Clerk's Response: I plan to settle by March 15, and will issue a check for excess fees as soon as all other's check have been written.

BULLITT COUNTY
 NORA MCCAULEY, COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2004
 (Continued)

STATE LAWS AND REGULATIONS: (Continued)

6) Invoices For Operating Expenditures Were Paid Late

Many invoices for supplies and services were not paid on a timely basis. We recommend the County Clerk comply with KRS 65.140(2), which states, "Unless the purchaser and vendor otherwise contract, all bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor's invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor's subcontractor".

County Clerk's Response: I will pay on a timely basis.

7) The County Clerk Should Eliminate The Deficit Of \$3,206

The County Clerk should eliminate the deficit of \$3,206 as of December 31, 2004, which is reflected in the Schedule of Excess of Liabilities Over Assets. This deficit is the result of disallowed expenditures. We recommend the Clerk deposit \$3,206 of personal funds into her 2004 account. We further recommend the Clerk make all payments due as unpaid obligations and collect all receivables due her as reflected in the Schedule of Excess of Liabilities Over Assets to eliminate this deficit and close the 2004 fee account.

County Clerk's Response: None.

INTERNAL CONTROL – REPORTABLE CONDITIONS:

8) The County Clerk Should Keep Complete And Accurate Records Of The Financial Activity Of The Clerk's Office

During the course of our audit, we noted the following deficiencies in the accounting records of the County Clerk's office:

- The Clerk did not prepare and file the quarterly financial reports for 2004 as required by the Governor's Office for Local Development.
- The Clerk did not prepare or publish an annual settlement for 2004 as required by KRS 424.220.
- The Clerk did not prepare monthly bank reconciliations for the fee account.
- Social Security and Medicare withholdings are being incorrectly computed on employees W-2's.

County Clerk's Response: I have help now to help with this.

BULLITT COUNTY
 NORA MCCAULEY, COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2004
 (Continued)

INTERNAL CONTROL - REPORTABLE CONDITIONS: (Continued)

9) The County Clerk's Office Lacks Adequate Segregation Of Duties

During our review of internal control, we found that the office has a lack of segregation of duties. Due to the entity's diversity of official operations, small size and budget restrictions, the official has limited options for establishing an adequate segregation of duties. However, the lack of segregation of duties is hereby noted as a reportable condition pursuant to professional auditing standards. We believe this reportable condition as described above is a material weakness. We recommend that the following compensating controls be implemented to offset this internal control weakness:

- The Clerk should periodically agree daily checkout sheet totals to the receipts ledger and deposit slips. Any differences should be reconciled.
- The Clerk should periodically compare bank reconciliations to the balance in the checkbook. Any differences should be reconciled.
- The Clerk should agree monthly reports to the receipts ledger and disbursements ledger.

These reviews should be evidenced with the Clerk's initials.

County Clerk's Response: I'm trying my best, I do have some help I can count on.

PRIOR YEAR:

STATE LAWS AND REGULATIONS:

The comments listed below have not been corrected and are repeated in this report.

- The County Clerk Had Disallowed Expenditures
- The County Clerk Should Settle Excess Fees With Fiscal Court By March 15
- Federal Income Tax And FICA Withholdings Have Not Been Paid
- Delinquent Tax Distributions Were Paid Late
- Invoices For Operating Expenditures Were Paid Late
- The County Clerk Should Eliminate The Deficit Of \$1172 – The Clerk had a new deficit in the current year, which is included in this report.

INTERNAL CONTROL - REPORTABLE CONDITIONS:

The comments listed below have not been corrected and are repeated in this report.

- The County Clerk Should Keep Complete And Accurate Records Of The Financial Activity Of The Clerk's Office
- The County Clerk's Office Lacks Adequate Segregation Of Duties

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Kenneth Rigdon, Bullitt County Judge/Executive
Honorable Nora McCawley, Bullitt County Clerk
Members of the Bullitt County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We were engaged to audit the statement of revenues, expenditures, and excess fees - regulatory basis of the Bullitt County Clerk for the year ended December 31, 2004, and have issued our report thereon dated July 12, 2005, wherein, we disclaimed an opinion on the financial statement based on our inability to overcome the serious weaknesses in her financial reporting function, serious weaknesses in the design of internal controls, and because of high risk factors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bullitt County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Bullitt County Clerk's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying comments and recommendations.

- The County Clerk Should Keep Complete And Accurate Records Of The Financial Activity Of The Clerk's Office
- The County Clerk's Office Lacks Adequate Segregation Of Duties

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above to be material weaknesses.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
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(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Bullitt County Clerk's financial statement for the year ended December 31, 2004, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The County Clerk Had Disallowed Expenditures
- Withholding Taxes, Other Employee Withholdings, And Employer Matching Taxes Have Not Been Paid
- Legal Process Tax Not Paid And/Or Not Paid On Time
- Delinquent Property Taxes Not Paid Monthly To All Districts
- The County Clerk Should Settle Excess Fees With Fiscal Court By March 15
- Invoices For Operating Expenditures Were Paid Late
- The County Clerk Should Eliminate The Deficit Of \$3,206

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
July 12, 2005

